

## NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, for revenues earned in fiscal year 2008, which will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as “current” and amounts expected to be collected beyond the next fiscal year are classified as “noncurrent.” The receivables have been recorded net of allowances for uncollectibles.

Sales, use, Michigan business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1. Property taxes are accrued if the levy date occurred prior to October 1.

Local units of government, as agents for the State, assess the state education tax, a statewide property tax. The state education tax is levied on July 1 and is due and payable at the same time as local unit taxes levied on July 1. The State accrues state education tax revenue received by the State or the local units, on its behalf, during October and November. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time.

In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting for amounts due to the State at September 30 (as stated above), that are considered “available” (e.g. received by the State within approximately 60 days after that date). Delinquent taxes are recognized to the extent that they are collected within 12 months. The remainder is recorded as deferred revenue.

Effective January 1, 2008, the State replaced the single business tax with the Michigan Business Tax (MBT). Due to the change in the law, taxpayers have until April 2009 to submit their final MBT tax returns indicating the total tax liability incurred. As a result, the State is unable to estimate an accrual beyond the 60-day period as the data needed to compare tax payments received to the total tax liability is not available. Therefore, the accrual and related revenue expected to be collected beyond the 60-day period is not measurable and has not been recorded in this fiscal year.

Taxes receivable as of September 30, consisted of the following (in millions):

<u>Tax</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Sales & use	\$ 345.9	\$ 686.0	\$ 1,031.9
Individual income	2,149.6	322.3	2,471.9
Single business	696.8	-	696.8
Michigan business	477.4	-	477.4
State education (property)	-	1,550.2	1,550.2
Telephone & telegraph	38.0	-	38.0
Motor fuel	-	193.1	193.1
Insurance - retaliatory	68.5	-	68.5
Tobacco products	80.2	51.2	131.4
Quality assurance assessment	122.0	-	122.0
Other	33.5	41.8	75.3
Penalties and interest	1,063.9	-	1,063.9
Gross taxes receivable	5,075.7	2,844.6	7,920.3
Less allowance for uncollectibles	1,932.1	461.7	2,393.8
Total taxes receivable (net)	<u>\$ 3,143.6</u>	<u>\$ 2,382.9</u>	<u>\$ 5,526.6</u>
<u>As reported on the financial statements</u>			
Current Taxes Receivable	\$ 2,890.3	\$ 2,310.4	\$ 5,200.7
Noncurrent Taxes Receivable	253.3	72.5	325.9
Total Taxes Receivable (net)	<u>\$ 3,143.6</u>	<u>\$ 2,382.9</u>	<u>\$ 5,526.6</u>